

# Scuppered Yahoo! deal hits French business image (Update)

May 2 2013, by Michael Mainville

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The head of France Telecom has complained of interference after the state blocked plans by US Internet firm Yahoo! to buy a majority stake in French video-sharing website Dailymotion.

France's business image was dealt a fresh blow Thursday as France Telecom complained of interference after the state blocked efforts by Yahoo! to buy a majority stake in video-sharing website Dailymotion.

Industrial Renewal Minister Arnaud Montebourg—often at the centre of complaints that France's Socialist government is anti-business—admitted on Wednesday to having derailed the US Internet firm's plans, saying the deal was not in French interests.

But France Telecom CEO Stephane Richard said the firm's management—and not the government—should be deciding the strategy for Dailymotion, a Paris-based subsidiary.

"Dailymotion is a subsidiary of Orange and not the state. It is the company, its management and its board that manages this issue," Richard told Les Echos business newspaper, using France Telecom's brand name Orange.

"I had refused that Yahoo! have the option of buying all of Dailymotion and we were on the verge of finding an arrangement," he said.

Yahoo! Inc. had been in talks to buy a 75 percent stake in Dailymotion, the 12th-largest video-sharing website and an industry leader in Europe, with an estimated value of \$300 million (228 million euros).

But the government, which holds a 27 percent stake in France Telecom, had insisted on a 50-50 split.

Montebourg said Wednesday he had met with Yahoo! executives and blocked the deal because the US firm was seeking to "devour" the French company. He said the government wanted a "balanced" agreement that would allow Dailymotion to retain its identity.

"The government is doing its job," he said Thursday, adding: "We did not think it was a good idea to leave Dailymotion in the hands of a company, Yahoo!, whose health is sometimes unsteady."

Critics have repeatedly accused Montebourg, from the left flank of President Francois Hollande's Socialists, of damaging France's business image with his outspoken views, including last year when he threatened to nationalise an ArcelorMittal steel plant in the country's northeast.



French Telecom chief executive Stephane Richard (left) and French Minister for Industrial Recovery Arnaud Montebourg. Richard has complained of interference after the French government blocked plans by US Internet firm Yahoo! to buy a majority stake in French video-sharing website Dailymotion. Montebourg said he blocked the deal because the US firm was seeking to "devour" the French company.

The junior economy minister, Benoit Hamon, also defended the

government's move, saying it was in the "public interest" to protect the company.

"Let's stop describing France as some sort of economic wasteland where foreign investors will no longer step foot. They are coming," he told France Inter radio.

"We are taking decisions to protect our capital, our creations, our ability to innovate," he said. "Maybe if Europe protected itself much better, it would be much stronger against the United States, China and emerging economies."

Richard said France Telecom was now on the hunt for other potential partners to work with Dailymotion, which employs about 150 people and is seeking to expand its reach.

"Our priority is to find an ally who can help develop Dailymotion outside Europe," he said. "We had looked at more than 60 potential partners in France and abroad before focusing on Yahoo!. Now we will restart our search."

In an editorial headlined "whatawaste.com", Les Echos lamented the government's interference, saying the Yahoo! deal would have allowed Dailymotion to finally move beyond its French base.

"France could have become a key piece in Yahoo!'s global puzzle. And a stronger Dailymotion, even under Yahoo! control, would have benefited our digital ecosystem," it said.

The deal was part of efforts by Yahoo! to expand its global reach, with Dailymotion as a potential competitor with Google-owned video-sharing giant YouTube.

Yahoo! CEO Marissa Mayer, who took over the struggling Internet search pioneer last year, has said she wants to make a priority of markets outside the United States.

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